

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2019-023-00274R

Parcel No. 32-0621-1000

Mike Mulholland,

Appellants,

vs.

Clinton County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on January 15, 2020. Mike Mulholland was self-represented. Attorney Patrick O'Connell represents the Clinton County Board of Review.

Michael and Dawn Mulholland own a residential property located at 4369 Highway 136, Clinton, Iowa. Its January 1, 2019 assessment was set at \$447,170, allocated as \$28,760 in land value and \$418,410 in dwelling value. (Exs. A, p. 4 & B).

Mulholland petitioned the Board of Review contending his property was assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(2) (2019). The Board of Review modified the assessment setting it at \$417,560, allocated as \$27,540 in land value and \$390,020 in improvement value. (Exs. A, p. 4 & B).

Mulholland then appealed to PAAB re-asserting his claim.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the

appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it.

§ 441.37A(3)(a); see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005).

Findings of Fact

The subject property is a one-story home built in 2015. The home has 2032 square feet of gross living area, 1500 square feet of average-quality basement finish, an enclosed porch, two open porches, a patio, and a three-car attached garage. The property has geo-thermal heat, which is subject to an exemption. The improvements are listed in normal condition with a 3+10 Grade (good quality). Building permits in the amount of \$454,000 were taken out in 2015. There is also a 1760 square foot three-car detached garage built in 2018 with a 3+00 Grade (good quality). The site is 2.26 acres. (Ex. A).

Mulholland testified he and his siblings all purchased land from their father and built in close proximity to each other.

The record includes two appraisals. Mulholland submitted an appraisal completed by Don Jacobs, Jacobs Appraisal Services, Clinton. (Ex. 1). The Board of Review submitted an appraisal completed by Jacqueline Rannfeldt, ARC Appraisal, Morrison, Illinois. (Ex. D). Both appraisers valued the property as of January 1, 2019. Both are qualified to appraise the property and completed interior inspections, but only Rannfeldt testified at hearing.

The following table summarizes the appraisers' approaches to value and their respective conclusions.

Appraiser	Sales Comparison Approach	Cost Approach	Final Opinion of Value
Jacobs	\$350,000	\$385,200	\$350,000
Rannfeldt	\$395,000		\$395,000

Mulholland submitted eight pages of Jacobs' appraisal and testified this was all he received. Jacobs indicated "a true and complete copy of this report contains 23 pages..." including a map, sketch, photograph, and narrative addendum among other things. (Ex. 1, p. 7). For purposes of our review, we find the eight pages are a sufficient summation of Jacobs' analysis and conclusions.

Jacobs described the subject property's location as just outside the corporate boundaries of Clinton, primarily in an area of working farms and small residential acreages; and the Clinton County Landfill is approximately one mile to the southwest. (Ex. 1, p. 5). He described the improvements as above-average quality and condition, and well maintained. He noted the finished basement area lacks a finished ceiling. (Ex. 1, p. 5).

Jacobs developed the sales comparison and cost approaches to value. He concluded a market value of just over \$385,000 in his cost approach and \$350,000 in his sales comparison approach. He stated he observed no evidence of functional or external obsolescence in his cost approach, but offered no clear explanation for the difference in values indicated by the approaches. He gave greatest weight to the sales comparison approach for his final conclusion of value. (Ex. 1, p. 7).

Jacobs relied on six 2018 sales in his sales comparison approach, which are summarized in the following table. (Ex. 1, pp. 6 & 8).

Comparable Sale	Sale Price	Age	Site Size (Acres)	Gross Living Area (SF)	Adjusted Sale Price
Subject		4	2.29	2016 ¹	
1 - 3067 Valley View Ct	\$324,500	12	2.47	1984	\$345,200
2 - 3080 Valley View Ct	\$329,500	11	2.01	2170	\$350,920
3 - 2911 W Stockwell Ln	\$336,000	18	1.57	2192	\$353,010
4 - 4020 Brandy Ln	\$333,500	15	2.85	2294	\$337,150
5 - 1936 2nd Ave S	\$412,000	12	7.25	2896	\$347,290
6 - 4000 Brandy Ln	\$360,000	15	3.13	3852	\$348,670

¹ Jacobs reported the gross living area of the subject property to be 2016, which is slightly less than indicated by the assessment records. It appears he did not include a small bay window at the front of the home that is included in the Assessor's calculations. Because the difference is nominal we do not find it materially affects his conclusions.

All of the sales have a Clinton address and are located 2 to 3 miles from the subject property. Jacobs reported the sales he selected “are the only similar suburban homes to have sold in this market within the past year.” (Ex. 1, p. 6).

Jacobs adjusted all of the sales for differences in site size, gross living area, and basement finish. He did not make any age adjustments despite all of the sales being 7 to 14-years older than the subject property but reported “they were brought to the market having been updated and so are similar in effective age.” (Ex. 1, p. 6).

Jacobs identified all of the sales as having similar quality and condition compared to the subject property. (Ex. 1, pp. 6 & 8). Despite reporting Sale 4 as having similar condition to the subject property requiring no adjustment, Jacobs wrote that it was a private sale and “might have been in slightly inferior overall condition.” (Ex. 1, p. 6). This would explain why it sets the lower end of the adjusted value range.

Sales 1-4 are one-story homes like the subject.

Rannfeldt testified she had been in Jacobs’ Sale 2; in her opinion it is a unique floor plan with the living room downstairs but the kitchen is upstairs.

Rannfeldt explained Jacobs’ Sales 4 and 6 are located near her home and are on private septic systems and they are located in the Camanche school district. Rannfeldt believes the Camanche school district lacks similar resources compared to the Northeast school district.

Jacobs reported Sales 5 and 6 as being contemporary design. Rannfeldt testified Sales 5 and 6 were two-story homes and, in her opinion, are the most similar quality to the subject property. Mulholland noted that Sales 5 and 6 may be of similar quality to his, but they are also much larger than his home.

The Board of Review was critical of Jacobs’ comparable sales asserting they are all located within the city limits of Clinton, which is a different taxing jurisdiction; and in the Clinton School District. In comparison, the subject property is located outside of the city limits in the county’s taxing jurisdiction and in the Northeast School District. Mulholland testified some of Jacobs’ comparable sales are located in the Camanche School District. In Mulholland’s opinion, the Camanche and Northeast School Districts are equally desirable.

Rannfeldt relied on five 2018 sales in her sales comparison approach, which are summarized in the following table. (Ex. D, pp. 2-3).

Comparable Sale	Sale Price	Age	Site Size (Acres)	Gross Living Area (SF)	Adjusted Sale Price
Subject, Clinton		4	2.29	2016 ²	
1 - 4232 Hwy 136, Clinton	\$325,000	4	2.00	2094	\$387,240
2 - 1851 335th Ave, Goose Lake	\$330,000	22	5.20	2064	\$382,030
3 - 2260 235th Ave, De Witt	\$335,000	20	4.70	1854	\$358,750
4 - 2624 285th Ave, De Witt	\$410,000	13	2.07	2816	\$423,000
5 - 2448 158th Ave, Calamus	\$430,000	3	4.97	1980	\$425,095

The comparable sales are between 2 and nearly 30 miles away from the subject property. Sales 1, 2, and 5 are located in the Northeast School District. Sales 3 and 4 are located in the Central Community School District.

Rannfeldt testified her comparable search was focused on properties located in the county taxing jurisdiction rather than the city's taxing jurisdiction. In her experience, the market prefers a location in the county rather than within the city. Mulholland was critical of this asserting some of the subdivisions in the city limits are very sought out and have a similar rural setting.

Rannfeldt testified about each comparable and the adjustments she made for differences such as location, age, room count, gross living area and other elements of comparison. In her opinion none of the sales she considered are "nicer" than the subject property and all were identified as similar in condition.

Rannfeldt explained the subject property has geo-thermal and solar energy. The solar panels are mounted on the ground strategically hidden by the detached garage. In Rannfeldt's opinion, having the solar panels hidden from the road is more appealing in the market place. She testified the geo-thermal and solar energy is an appealing amenity because of the lower utility costs and she believes that unused electricity from the solar panels can be sold back to the energy company. None of the comparable properties have the same energy features as the subject property and she adjusted all

² Like Jacobs, Rannfeldt reported the gross living area of the subject property to be 2016; we do not find it materially affects her conclusions.

of them upward \$20,000 for this difference. Rannfeldt explained her adjustment for this feature was based on actual cost which can range between \$15,000 to over \$40,000.

Rannfeldt's Sale 1 is the most proximate to the subject property at just over 2 miles. The remaining sales are located between 10 to 30 miles away.

Mulholland testified that Rannfeldt's Sale 1 is located near his and in his opinion it is very comparable to his property. Rannfeldt considered this to be one of the most similar to the subject property in location, age, gross living area, condition, and amenities. She reported this was a family transaction and therefore she adjusted it upward 7% (\$22,750), which would consider typical real estate broker commissions.

Rannfeldt explained she chose Sale 5 because of its location in a smaller town and to demonstrate that properties of similar site size and gross living area have demand as evidenced by their sale prices.

Analysis & Conclusions of Law

Mulholland contends the subject property is over assessed as provided under Iowa Code section 441.37(1)(a)(2).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted).

There is no presumption that the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted). When the taxpayer "offers competent evidence that the market value of the property is different than the market value determined by the assessor, the burden of proof thereafter shall be upon the officials or persons seeking to uphold such valuation." Iowa Code § 441.21(3). To be competent evidence, it must "comply with the statutory scheme for property valuation for tax assessment purposes." *Soifer*, 759 N.W.2d at 782.

Here, both the taxpayer and the Board of Review submitted appraisals valuing the subject property at less than its current assessment. Therefore, we conclude our only remaining task is to determine the subject property's correct value.

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* The sales comparison method is the preferred method for valuing property under Iowa law. *Compiano*, 771 N.W.2d at 398; *Soifer*, 759 N.W.2d at 779; *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W.2d 594, 597 (Iowa 1990). "Sale prices of the property or comparable property in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in arriving at its market value." § 441.21(1)(b).

The first step in this process is determining if comparable sales exist. *Soifer*, 759 N.W.2d at 783. "Whether other property is sufficiently similar and its sale sufficiently normal to be considered on the question of value is left to the sound discretion of the trial court." *Id.* at 782 (*citing Bartlett & Co. Grain Co. v. Bd. of Review of Sioux City*, 253 N.W.2d 86, 88 (Iowa 1977)). Similar does not mean identical and properties may be considered similar even if they possess various points of difference. *Id.* (other citations omitted). "Factors that bear on the competency of evidence of other sales include, with respect to the property, its '[s]ize, use, location and character,' and, with respect to the sale, its nature and timing. *Id.* (other citations omitted). Sale prices must be adjusted "to account for differences between the comparable property and the assessed property to the extent any differences would distort the market value of the assessed property in the absence of such adjustments". *Id.* (other citations omitted).

The appraisers took a markedly different approach to their selection of sales. The record includes sales of properties but there is a difference in opinions of the relevance of those sales based on their location within the city limits or county taxing jurisdictions, as well as school districts. When considering an over assessment claim, properties outside of the subject's taxing jurisdiction may be considered. *Carlson Co. v. Bd. of*

Review of City of Clinton, 572 N.W.2d 146, 150 (Iowa 1997). But this does not preclude consideration of location-related factors that may impact the sale based on market reaction to such issues as the tax rates and school districts. Moreover, we note there may be zoning or covenant restriction differences between these city and county properties that could impact building and purchasing decisions. Here, we are persuaded by Rannfeldt's testimony and explanation that there is a market differential between county and city properties.

Acknowledging that Jacobs' appraisal may not fully account for these locational differences, we also note the sales on which Jacobs relied were all older than the subject and the majority lacked any outbuildings. Although he explained his lack of age adjustment and made adjustments for outbuildings, those differences go to the weight and reliability of his conclusions. We believe these issues are significant enough that his final conclusion of value cannot be given full weight.

For her part, Rannfeldt's focus on sales outside of the Clinton city limits might have overcompensated for certain locational differences at the expense of basic proximity. Rannfeldt relied on five sales but one was particularly relevant given its age, location, site size, and general similarities in improvement size and amenities. Both parties agreed that Rannfeldt's Sale 1 located at 4232 Highway 136, Clinton is the most similar property in the record and we agree. It had an adjusted value of roughly \$387,000, which we note is also generally consistent with Jacobs' value indicated by the cost approach.

Ultimately, the adjusted sales in the record show a range between \$337,150 and \$425,095. Considering all of the evidence, we find the adjusted value of Rannfeldt's Sale 1 is the most accurate reflection of the subject property's market value as of January 1, 2019.

Order

PAAB HEREBY MODIFIES the Clinton County Board of Review's action and orders the property's January 1, 2019 assessment be set at \$387,000, allocated as \$27,540 to land value and \$359,460 to improvement value.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

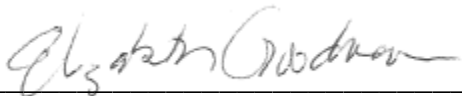
Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A (2019).



Karen Oberman, Board Member



Dennis Loll, Board Member



Elizabeth Goodman, Board Member

Copies to:

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